

MINUTES

North Dakota Public Employees Retirement System

Association of Counties, Bismarck

Tuesday, January 9, 2018

8:30 A.M.

Members Present: Senator Dick Dever
Ms. Casey Goodhouse
Mr. Troy Seibel
Ms. Kim Wassim
Mr. Adam Miller
Ms. Mylynn Tufte
Ms. Yvonne Smith
Chairman Mark Dosch

VIA Conference phone: Representative Pamela Anderson
Mr. Jason Ostroski, CliftonLarsonAllen
Mr. John Barlow, Groom Law

Others Present: Ms. Sharon Schiermeister, NDPERS
Ms. Jan Lund, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Derrick Hohbein, NDPERS
Ms. Aime Miller, NDPERS
Ms. MaryJo Anderson, NDPERS
Ms. Julie McCabe, NDPERS
Mr. Patrick Brooke, Office of Attorney General
Mr. Steve Webster, SHP
Mr. Mike Klepatz, SHP
Mr. Danny Weiss, SHP
Mr. Jim Wynstra, SHP
Ms. Lisa Carlson, SHP
Mr. Kevin Schoenborn, BCBS
Mr. Alan Person

Chairman Dosch called the meeting to order at 8:30 a.m.

Mr. Seibel introduced Mr. Patrick Brooke, legal counsel from the Office of Attorney General newly assigned to NDPERS. Mr. Seibel provided information to the Board relating to Mr. Brooke's background, experience and portfolio.

Chairman Dosch called for any questions or comments regarding the minutes of the December 12, 2017, Board meeting.

MS. WASSIM MOVED APPROVAL OF THE DECEMBER 12, 2017, NDPERS BOARD MEETING MINUTES. THE MOTION WAS SECONDED BY SENATOR DEVER AND CARRIED BY VOICE VOTE. THE MINUTES WERE APPROVED.

PRESENTATIONS

Independent Auditor Report

Mr. Jason Ostroski from CliftonLarsonAllen, joined the meeting by phone to review the audit report. Mr. Ostroski's presentation covered the 2017 audit results, required governing body communications, financial highlights from the various pension plans and group insurance, and GASB 68 and 75 schedule audit update. Discussion followed.

MS. SMITH MOVED TO ACCEPT THE AUDIT REPORT. MOTION WAS SECONDED BY MS. WASSIM.

Ayes: Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Ms. Tufte and Chairman Dosch.

Nays: None

Absent: None

MOTION PASSED

GROUP INSURANCE

Dental RFP

Mr. Reinhardt presented the finalized dental plan RFP for the Boards' approval and reported that staff is on track with the proposed timeline.

REPRESENTATIVE ANDERSON MOVED TO ACCEPT THE FINALIZED DENTAL PLAN RFP. MOTION WAS SECONDED BY MR. SEIBEL.

Ayes: Ms. Goodhouse, Ms. Smith, Mr. Seibel, Ms. Wassim, Representative Anderson, Senator Dever, Mr. Miller, Ms. Tufte and Chairman Dosch.

Nays: None

Absent: None

MOTION PASSED

Pre-Medicare Group

Ms. Schiermeister summarized the discussion from the December 2017 meeting regarding options for offering health insurance for the pre-Medicare group, which is a closed group of approximately 300 members. At the December meeting the Board asked for additional information on the number of people who retire prior to age 65. Ms. Schiermeister provided a table showing the number of NDPERS Main System Retiree new pensions awarded during the past 5 years for individuals under age 65 and 65 and

older. It was noted that there was a spike in retirements in 2017. The Board had also asked about the cost to subsidize the pre-Medicare group. Staff reported that based on the experience rated premiums provided by SHP, the estimated subsidy to be \$270,000 per month (approximately \$12.60 per contract). Additionally, if the number of pre-Medicare contracts doubled to more historical enrollment numbers, the estimated subsidy would be \$540,000 per month, or approximately \$24.80 per contract. Ms. Wassim inquired on what the premiums would be if eligibility for this group were limited to at 62 and older. Staff will work with Sanford to get this information for the next Board meeting.

Smoking Deterrent Payments

Ms. Schiermeister informed the Board that notification was received from Sanford Health Plan about a programming error which was discovered through their internal audit process that allowed coverage of smoking deterrents, which are not a covered benefit. The programming discrepancy allowed 664 unique members fill a total of 1660 claims at a plan cost of approximately \$270,000 since July 1, 2015. Sanford has corrected the programming error and will be giving members who have filled a smoking deterrent product in the last 6 months a 28-day notice of no future payments. SHP has identified 238 members that have filled a smoking deterrent product in the last 6 months and these members will be allowed to continue to fill until February 28, 2018. Members will not be requested to refund the payments.

Discussion followed regarding the ND Quits program sponsored by the ND Department of Health, and the NDPERS Smoking Cessation program which is available to ND state employees. Staff will prepare an overview of both programs for the February meeting. Ms. Tufte expressed concern that smoking deterrents were not a covered benefit under the plan and asked that this be included as an option for the Board to consider at the time of renewal.

RETIREMENT

Main System Funding Approach

Ms. Schiermeister presented information regarding the main system retirement plan funding recovery that covered the following points: 1) Review the Legislative Employee Benefits Committee process; 2) Review our considerations to date on proposed retirement legislation; 3) Identify proposed retirement bills; 4) Review our discussion on retirement plan considerations from our strategic planning meeting and other meetings; 5) Provide a staff recommendation; and 6) Seek the Board's direction on what bills to submit. Discussion followed regarding options for drafting legislation to address the recovery of the NDPERS plan.

THE BOARD DIRECTED STAFF TO WORK WITH LEGAL COUNSEL TO DRAFT PROPOSED LEGISLATION THAT WOULD ADDRESS THE RECOVERY OF THE PLAN BACK TO 100% FUNDED STATUS AND TO PRESENT THE INFORMATION FOR THE BOARD'S CONSIDERATION AT THE FEBRUARY MEETING.

THE BOARD TOOK A SHORT WELLNESS BREAK AT 10:35.

Final Average Salary

Ms. Schiermeister provided information about the PERS Board Audit Committee's December review of Final Average Salary methodology to determine whether changes should be made to mitigate risks related to fluctuations in salaries reported by employers. It was demonstrated that retirement benefits can be higher as a result of how salaries for different payroll cycles are reported to NDPERS.

A change to the final average salary calculation was included in legislation submitted in 2015, but the change did not pass. Discussion followed.

BASED ON THE RECOMMENDATION OF THE NDPERS BOARD AUDIT COMMITTEE THE BOARD DIRECTED STAFF TO WORK WITH LEGAL COUNSEL TO DRAFT PROPOSED LEGISLATION THAT WOULD ADDRESS A CHANGE TO THE FINAL AVERAGE SALARY CALCULATION AND BRING THE TOPIC BACK AT THE FEBRUARY MEETING FOR FURTHER CONSIDERATION.

DC Plan Employer Eligibility

At a previous meeting the Board had expressed interest in the possibility of opening the defined contribution plan to any employer in the state to facilitate supplement retirement savings for more employees. Mr. Reinhardt reported that the National Association of State Retirement Administrators (NASRA) was not aware of any state defined contribution plans that allowed private sector companies to participate in their plans and that employers are generally prohibited by the Employee Retirement Income Security Act (ERISA) from providing benefits to outside employees. Mr. Reinhardt shared an article from *Pension & Investments* on Secure Choice plans which are state-sponsored cash balance retirement plans for employees of organization that do not offer a plan.

FLEXCOMP

FlexComp Plan RFP

Mr. Reinhardt stated that the FlexComp Plan administrative and record keeping services, currently under WageWorks, is in the final year of the contract and will expire December 31, 2018. Mr. Reinhardt provided a draft RFP for the Board's review and indicated that staff will have a final version for the February board meeting. Ms. Schiermeister reported that the ND University System has indicated a desire for all their campuses to use the same vendor that is selected by NDPERS. Staff will have more information about NDUS involvement at the February meeting. Discussion followed.

MISCELLANEOUS

Quarterly Consultant Fee

Mr. Hohbein presented the quarterly report showing the consulting, investment and administrative fees paid during the quarter ended December 2017. Discussion followed.

Procurement Guidelines

Ms. Schiermeister reported that staff has reviewed the procurement guidelines and has updated the document with minor housekeeping changes. Staff pointed out that PERS is exempt under statute for certain procurements.

Receiving Board Materials Electronically

At the September board meeting a request was made to explore options for members to receive board materials electronically. Mr. Hohbein shared information and options to accommodate this request. Discussion followed.

THE BOARD DIRECTED STAFF TO BEGIN PROVIDING BOARD MATERIALS ELECTRONICALLY STARTING WITH THE FEBRUARY 6, 2018, MEETING.

2017 CAFR

Mr. Hohbein reported that the 2017 Comprehensive Annual Financial Report (CAFR) has been completed and is available for review on the NDPERS website. The report contains detailed financial, investment, actuarial and statistical information for the plans administered by NDPERS. It was suggested that staff go through the report with the Board at a future meeting.

Board Meeting Dates in 2018

Ms. Schiermeister informed the Board there are two items occurring in 2018 that may require the board to reschedule meeting dates already set for 2018. The first item is Board Election which requires a meeting after votes are canvassed on the third Monday of June. The June 2018 meeting is scheduled for Tuesday the 12th, which precedes the canvassing date. The Board must act on the election results prior to July 1st.

The second item is Job Service COLA. The COLA index is usually released on October 15th and action is required in October in order to communicate and implement the COLA by December 1st. In 2018, the October meeting is on the 9th which precedes the release date and the November meeting isn't until the 13th; however, delaying the Board's action to the November meeting will not allow staff the time required to process the increase for the December 1st date.

BY CONSENSUS THE BOARD CHANGED THE JUNE 12TH MEETING DATE TO THURSDAY, JUNE 21ST AND THE OCTOBER 9TH MEETING TO THURSDAY, OCTOBER 18TH.

Audit Committee August Meeting Minutes

For informational purposes the Board was provided with the minutes of the August 18, 2017, Audit Committee meeting.

Transition Committee Update

Mr. Seibel reported that the Subcommittee will be meeting on Friday, January 12, 2018 to review potential candidates identified by the recruitment firm, EFL Associates and to

determine which candidates the subcommittee would like to interview. The recruitment firm has received 22 applicants so far.

MEMBER

Retirement Appeal Case #472

Ms. Schiermeister indicated that it may be necessary to move into Executive Session for discussion of confidential records or confidential member information.

MS. TUFTE MOVED THAT THE BOARD ENTER EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.2(1) AND/OR §54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 11:27 a.m.

The Board returned to open session at 12:02 p.m.

MS. GOODHOUSE MOVED TO DENY THE MEMBER'S REQUEST TO KEEP REFUND CHECK ISSUED FROM THE DEFINED BENEFIT RETIREMENT PLAN, AND DIRECTED STAFF TO WORK WITH THE MEMBER TO DEVELOP A REPAYMENT PLAN. THE MOTION WAS SECONDED BY SENATOR DEVER.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

Deferred Comp Hardship Case #471

Ms. Schiermeister indicated that it may be necessary to move into Executive Session for discussion of confidential records or confidential member information.

MR. MILLER MOVED THAT THE BOARD ENTER EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.2(1) AND/OR §54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:05 p.m.

The Board returned to open session at 12:15 p.m.

MR. SEIBEL MOVED TO APPROVE THE MEMBERS REQUEST FOR A HARDSHIP WITHDRAWAL FROM THE 457 ACCOUNT. THE MOTION WAS SECONDED BY MS. SMITH.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

Retirement Appeal Case #478

Ms. Schiermeister indicated that it may be necessary to move into Executive Session for discussion of confidential records or confidential member information.

MS. SMITH MOVED THAT THE BOARD ENTER EXECUTIVE SESSION PURSUANT TO NDCC §44-04-19.2(1) AND/OR §54-52-26 TO DISCUSS CONFIDENTIAL RECORDS OR CONFIDENTIAL MEMBER INFORMATION. THE MOTION WAS SECONDED BY MS. TUFTE.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

All members named above were in attendance for the Executive Session (closed meeting, electronically recorded) which began at 12:17 p.m.

The Board returned to open session at 12:27 p.m.

MS. SMITH MOVED TO DENY THE MEMBERS REQUEST TO BE ALLOWED TO RESCIND THE ELECTION TO PARTICIPATE IN THE DEFINED CONTRIBUTION PLAN AND REMAIN A MEMBER OF THE DEFINED BENEFIT PLAN. THE MOTION WAS SECONDED BY MR. SEIBEL.

Ayes: Representative Anderson, Ms. Goodhouse, Mr. Miller, Ms. Smith, Ms. Tufte, Mr. Seibel, Senator Dever and Chairman Dosch.

Nays: None

Absent: Ms. Wassim

MOTION PASSED

Ms. Schiermeister announced that the next meeting of the Health Care Reform Committee is February 1, 2018.

Chairman Dosch called for any other business or comments. Hearing none the meeting was adjourned at 12:28 p.m.

Prepared by,

Jan Lund
Assistant to the Board